

Message Text

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67

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-15 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

INT-08 SCEM-02 STR-08 DRC-01 /212 W

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P 282115Z SEP 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 1828

UNCLAS OTTAWA 2344

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: CANADIAN ENERGY POLICY: ADDRESS BY MINISTER MACDONALD

1. MINISTER OF ENERGY, MINES AND RESOURCES MACDONALD ADDRESSED CANADIAN-AMERICAN COMMITTEE (C.D. HOWE RESEARCH INSTITUTE OF CANADA AND NATIONAL PLANNING ASSOCIATION OF THE UNITED STATES) IN OTTAWA, MORNING OF SEPTEMBER 28.

2. IN DISTRIBUTED NOTES FOR THE ADDRESS MACDONALD STATED RECENT ENERGY (OIL) ACTIONS "WERE LARGELY CONSISTENT WITH THE CONCLUSIONS" OF ENERGY POLICY ANALYSIS (PUBLISHED IN JUNE), ALTHOUGH TIMEFRAME HAD BEEN COMPRESSED BY RUSH OF EVENTS. MACDONALD ADDED THAT IF NECESSARY GOC WOULD HAVE TO ACT AGAIN IN SAME WAY. LATER IN ADDRESS MACDONALD STATED THAT GOC IS ACTIVELY CONSIDERING METHODS BY WHICH TO INCREASE PRICE OF NATURAL GAS MOVING INTO EXPORT MARKETS, NOTING THAT INCREMENTAL SUPPLIES OF GAS IN U.S. ARE BEING PRICED FAR IN EXCESS OF CANADIAN EXPORT PRICES UNDER LONG-TERM CONTRACT.

3. FOLLOWING IS EXCERPTED TEXT REGARDING CANADIAN CONSULTATION ON NEW OIL MEASURES WITH U.S.: BEGIN TEXT. "ON SEPTEMBER UNCLASSIFIED

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14, 1973, THE STATE DEPARTMENT OF THE UNITED STATES SAID THE

ACTION ANNOUNCED 'TO DENY OUR EXPORT APPLICATIONS FOR OCTOBER SHIPMENTS ON GROUNDS THAT PRICES ARE TOO LOW, COMES AS A SURPRISE AND MOST CERTAINLY IS NOT WELCOME INFORMATION'. THE STATE DEPARTMENT WAS ADVISED SHORTLY IN ADVANCE OF THE PRIME MINISTER'S STATEMENT OF SEPTEMBER 4, 1973, AND THEREAFTER ON SEPTEMBER 11, A DISCUSSION WAS HELD BETWEEN AN OFFICIAL OF MY DEPARTMENT AND AN OFFICIAL OF THE STATE DEPARTMENT REGARDING THE CONCERN OF THE GOVERNMENT OF CANADA FOR ESCALATING OIL PRICES IN CANADA BASED, TO SOME EXTENT, ON U.S. ENERGY SHORTAGES. AT THAT SAME MEETING, THE U.S. OFFICIAL WAS ADVISED THAT CANADA HOPED TO CONSULT WITH THE UNITED STATES ON THE IMPLICATION OF THE PRIME MINISTER'S STATEMENT FOR U.S.-CANADA ENERGY RELATIONS. PRIOR TO THE ISSUANCE OF THE PRESS RELEASE BY THE STATE DEPARTMENT ON FRIDAY, SEPTEMBER 14, A FURTHER DISCUSSION WAS HELD BETWEEN THE SAME OFFICIALS, DURING WHICH TIME THE U.S. OFFICIAL WAS ADVISED THAT A NEW AND UNFORESEEN SITUATION HAD DEVELOPED SINCE SEPTEMBER 4, NAMELY: ADDITIONAL PRICE INCREASES FOR OIL IN THE U.S. MARKET AND THE FINDING BY THE NATIONAL ENERGY BOARD, UNDER SECTION 83(B) OF ITS ACT, THAT BY REASON OF PRICE ESCALATION IN THE U.S., THE PRICE FOR CANADIAN OIL ALLOCATED FOR THE MONTH OF OCTOBER WAS NOT JUST AND REASONABLE. ACCORDINGLY, THE STATE DEPARTMENT WAS INFORMED THAT THE GOVERNMENT OF CANADA HAD, AS ITS CHOICES, EITHER TO ABANDON ITS POLICY OF PRICE RESTRAINT IN CANADA, AS ANNOUNCED BY THE PRIME MINISTER ON SEPTEMBER 4, SO THAT THE CANADIAN PRICE WOULD RISE TO THE LEVEL OF THE U.S. PRICE AGAIN, AND THE EXPORT WOULD BE ALLOWED, OR, ALTERNATIVELY, TO MAINTAIN THE RESTRAINT ON DOMESTIC PRICE INCREASE AND NOT ALLOW ANY OIL TO BE EXPORTED TO THE UNITED STATES - WHICH WAS UNTHINKABLE, IN THE INTEREST OF BOTH CANADA AND THE U.S.. THE ALTERNATIVE WAS TO PRODUCE THE MECHANISM PROPOSED FOR DISCUSSION, NAMELY: THE PROPOSED EXPORT CONTROL TAX, SO THAT THE PRICE OF CANADIAN OIL IN THE U.S. MARKET WOULD BE THE SAME AS PREVAILING PRICES FOR OTHER OIL THERE. THIS RAISED A PROBLEM OF WHAT TO DO WITH THE FUNDS TO BE RECEIVED BY CANADA, BUT THIS WAS NOT THE CONCERN OF THE U.S. I WANT TO EMPHASIZE THAT THE PRICE TO BE CHARGED FOR CANADIAN OIL IN THE U.S. MARKET IS NOT HIGHER THAN PREVAILING PRICES THERE, AND THAT THE STATE DEPARTMENT HAS ADVISED US THAT THEY WOULD NOT MAKE A SIMILAR OBJECTION IF THE SAME

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PRICE HAD BEEN ACHIEVED IN THE U.S. MARKET BY RAISING THE PRICE IN CANADA AS WELL. AT THIS POINT LET ME ADD THAT WHILE THE U.S. GOVERNMENT WAS GIVEN THE BENEFIT OF EARLIEST POSSIBLE NOTICE OF OUR POLICY DECISIONS ON THESE OCCASIONS, WE ARE EXPLORING WAYS TO IMPROVE THE EXCHANGE OF VIEWS ON ENERGY MATTERS WHICH WILL BE CRUCIAL IN OUR RELATIONS OVER THE NEXT FEW YEARS. IT IS JUST POSSIBLE, FOR EXAMPLE, THAT A COMMITTEE MIGHT BE FORMED BY REPRESENTATIVES FROM BOTH THE

GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF CANADA
TO HOLD JOINT DISCUSSIONS ON ENERGY QUESTIONS OF MUTUAL
CONCERN." END TEXT.

4. COPIES OF FULL ADDRESS NOTES WILL BE POUCHED.
SCHMIDT

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